

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

**Application of Milwaukee Water Works, Milwaukee
County, Wisconsin, for Authority to Increase Water
Rates**

3720-WR-107

SUPPLEMENTAL DIRECT TESTIMONY OF KATHLEEN BUTZLAFF

June 21, 2010

1 **Q. Please state your name.**

2 A. My name is Kathleen Butzlaff.

3 **Q. Did you previously provide direct testimony in this docket?**

4 A. Yes, I did.

5 **Q. What is the purpose of your supplemental direct testimony?**

6 A. The purpose of my testimony is to present and explain my revised revenue requirement
7 proposal. This latest proposal is in response to the revised rate applications submitted by
8 Milwaukee Water Works (MWW) on June 1, 2010 (PSC REF#: 132459), and June 10,
9 2010, (PSC REF#: 132927).

10 **Q. Please summarize the revised MWW rate applications.**

11 A. On May 25, 2010, MWW filed a motion to suspend the schedule so it could update
12 information previously provided to staff and permit staff to revise the revenue
13 requirement. The revised rate application filed on June 1, 2010, by MWW included
14 revised estimates of test year operation and maintenance expenses as well as test year
15 taxes expense. The second revised rate application filed on June 10, 2010, by MWW
16 included an updated labor estimate of \$16,121,775 based on actual 2009 labor, adjusted

1 to remove retroactive pay (back-pay) that occurred during pay period 23. These revisions
2 reduced the requested rate increase from \$19,062,858 to \$17,485,142, or from 28 percent
3 to 26 percent of Total Water Sales.

4 **Q. I show you what has been marked for identification as Exhibit No. 12.6. Was this**
5 **exhibit prepared by you or under your direction?**

6 A. Yes, it was.

7 **Q. Will you please explain Schedule 1 of your exhibit?**

8 A. Schedule 1 presents the estimated 2010 operating income statement, net investment rate
9 base and return on rate base as estimated by MWW, together with my proposed
10 adjustments to arrive at the estimated 2010 income statement, net investment rate base
11 and return on rate base. I estimate total 2010 operating revenues to be \$70,449,726.

12 **Q. Please explain Schedule 2 of your exhibit.**

13 A. Schedule 2 sets forth the revenue increase required to produce a 5.18 percent return on
14 net investment rate base for the test year.

15 MWW requested a return on net investment rate base of 5.00 percent for retail
16 water sales and 6.50 percent for wholesale water sales. This results in a composite return
17 on net investment rate base of 5.18 percent. A return on rate base of 5.18 percent will
18 provide a 5.27 percent return on municipal earning equity and adequate times interest
19 coverage.

20 As indicated in this schedule, the revenue increase required is \$16,717,173, or 25
21 percent of current revenues (water sales). The required increase in operating revenues
22 will result in estimated total operating revenues of \$87,166,899 and a net operating
23 income of \$15,348,473.

1 **Q. Are the operating revenues and expenses as shown in Schedule 2 reasonable**
2 **estimates of such revenues and expenses?**

3 **A. Yes.**

4 **Q. Does this complete your supplemental direct testimony in this proceeding?**

5 **A. Yes, it does.**

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